TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE

FISCAL NOTE

HB 212 - SB 235

March 18, 2013

SUMMARY OF BILL: States that the power of eminent domain is to be used sparingly and law permitting the use of eminent domain shall be narrowly construed so as to not enlarge the power of eminent domain. Prohibits state and local government entities from condemning blighted or deteriorated property, as defined in the bill, and selling, leasing, or otherwise transferring such property to a private entity. Requires any taking of private property, determined to be blighted by state or local government entities, to be for the sole purpose of repairing or demolishing such property; with all costs of repairing or demolishing such property to be assessed against the owner of the property by a lien on the property in favor of the county. Authorizes any owner of private property deemed to be blighted to redeem such property within two years after condemnation. This act shall take effect upon becoming law.

ESTIMATED FISCAL IMPACT:

Decrease State Revenue - $60,000
Increase State Expenditures - $1,000,000/Highway Fund

Decrease Local Revenue – Exceeds $1,000,000
Increase Local Expenditures – Exceeds $250,000/Mandatory*
Exceeds $1,000,000/Permissive

Assumptions:

- This bill will impact all condemnation of blighted or deteriorated property, as defined by the provisions of the bill, by all state and local government entities. To the extent the bill affects future condemnation proceedings, the impact to local government is considered permissive; however, any impact as a result of this bill placed on condemnations which have already occurred are considered mandatory costs.
- According to the Department of Economic and Community Development, the provisions of the bill will not fiscally impact the Department.
- According to the Tennessee Department of Transportation (TDOT), any property condemned by TDOT later determined to be blighted would not be available for sale as surplus property.
- According to TDOT, revenue generated from the sale of surplus land averages approximately $1,200,000 per year. Assuming five percent of this surplus property is

declared to be blighted, the recurring decrease in state revenue is estimated to be $60,000 ($1,200,000 x 5%).

- The bill prohibits the sale of condemned improvements once property has been deemed blighted and states the sole purpose for taking blighted property is to repair or demolish such property and allow the property to be redeemed within two years of being taken.
- According to TDOT, all property condemned by the Department is for the purpose of building a highway, not for purposes of repairing or demolishing the property. This requirement combined with the authorization to a land owner to redeem the property after two years will significantly impact the Department's ability to obtain land through eminent domain. While a precise impact to the Department is impossible to determine, the Department estimates it will increase state expenditures from the Highway Fund by at least $1,000,000 each year.
- A precise fiscal impact to local government is difficult to determine due to multiple unknown factors, including but not limited to, the number of properties that will be deemed blighted or deteriorated pursuant to the provisions of the bill already acquired by local government entities; the number of properties that will be acquired in the future following passage of this bill; what property would have been utilized for in the absence of this bill relative to what property will be utilized for under the provisions of this bill, the extent to which property would have been reassessed for taxation purposes when sold or leased under current law relative to the amount of property tax revenue that will be generated by local government entities following passage of this bill, and the number of properties where selling is prohibited until improvements are made.
- Given the extent of unknown factors, determining a precise impact to local governments relative to future land acquisitions is difficult. However, a recurring decrease in local government revenue is reasonably estimated to exceed $1,000,000 statewide; a recurring increase in local government expenditures is reasonably estimated to exceed $1,000,000 statewide.
- To the extent this bill will impact properties currently owned by local government entities, it is reasonably estimated there will be a mandatory increase in local government expenditures of $250,000 for the required demolition and repair of the property.

*Article II, Section 24 of the Tennessee Constitution provides that: *no law of general application shall impose increased expenditure requirements on cities or counties unless the General Assembly shall provide that the state share in the cost.*

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

Lucian D. Geise, Executive Director

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